

5/05 SIGNED BY GOVERNOR
CHAPTER NUMBER 544
EFFECTIVE DATE: 01/01/98

HB 600 INTRODUCED BY BERGSAGEL *LC1369 DRAFTER: PETESCH*

DIRECT THE DEPARTMENT OF CORRECTIONS TO PREPARE AND
DISTRIBUTE REQUESTS FOR PROPOSALS FOR THE PRIVATIZATION OF
THE MANAGEMENT OF THE MAIN FUNCTIONS OF THE MONTANA STATE
PRISON AT DEER LODGE AND FOR THE DEVELOPMENT OF A BOOT
CAMP INCARCERATION PROGRAM

3/08 INTRODUCED
3/08 FIRST READING
3/08 REFERRED TO CORRECTIONS SELECT COMMITTEE
3/08 FISCAL NOTE REQUESTED
3/10 REREFERRED TO APPROPRIATIONS
3/14 FISCAL NOTE RECEIVED
3/21 HEARING
3/21 FISCAL NOTE PRINTED
3/28 MISSED DEADLINE FOR 67TH DAY TRANSMITTAL
DIED IN COMMITTEE

HB 601 INTRODUCED BY HARRINGTON, ET AL. *LC1307 DRAFTER: HEIMAN*

ALLOW AN INCOME TAX CREDIT OR CORPORATE LICENSE TAX CREDIT
FOR THE PRESERVATION OF HISTORIC BUILDINGS

3/08 INTRODUCED
3/08 FIRST READING
3/08 REFERRED TO TAXATION
3/08 FISCAL NOTE REQUESTED
3/12 HEARING
3/12 FISCAL NOTE RECEIVED
3/15 FISCAL NOTE PRINTED
3/21 COMMITTEE REPORT—BILL PASSED
3/26 2ND READING PASSED 51 47
3/27 3RD READING PASSED 51 49

TRANSMITTED TO SENATE
3/28 FIRST READING
3/28 REFERRED TO TAXATION
4/08 HEARING
4/10 COMMITTEE REPORT—BILL CONCURRED
4/15 2ND READING CONCUR MOTION FAILED 24 25
4/15 SEGREGATED FROM COMMITTEE OF WHOLE REPORT 33 17
4/16 2ND READING CONCURRED 29 20
4/17 3RD READING CONCURRED 31 19

RETURNED TO HOUSE
4/24 SIGNED BY SPEAKER
4/24 SIGNED BY PRESIDENT
4/25 TRANSMITTED TO GOVERNOR
5/05 SIGNED BY GOVERNOR
CHAPTER NUMBER 545
EFFECTIVE DATE: 10/01/97

HB 602 INTRODUCED BY GILLAN *LC0720 DRAFTER: MACMASTER*

PROVIDE FOR SECURE COMMUNITIES AND SAFE SCHOOLS

3/08 INTRODUCED
3/08 FIRST READING
3/08 REFERRED TO APPROPRIATIONS
3/21 HEARING

1
2 INTRODUCED BY

House BILL NO. 601

Harington Hoyer Carlsmith Menahan
in OLS Subject

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING AN INCOME TAX CREDIT OR CORPORATE LICENSE
5 TAX CREDIT FOR THE PRESERVATION OF HISTORIC BUILDINGS; PROVIDING THAT THE AMOUNT OF
6 THE CREDIT IS 25 PERCENT OF THE CREDIT ALLOWED UNDER FEDERAL INCOME TAX LAWS; AND
7 PROVIDING AN APPLICABILITY DATE."
8

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
10

11 **NEW SECTION. Section 1. Credit for preservation of historic buildings.** (1) (a) There is allowed
12 as a credit against the taxes imposed by 15-31-101, 15-31-121, and 15-31-122 a percentage of the credit
13 allowed for qualified rehabilitation expenditures, with respect to any certified historic building located in
14 Montana, as provided in 26 U.S.C. 47 or as that section may be renumbered or amended.

15 (b) The amount of the credit allowed for a tax year is 25% of the amount of the credit determined
16 under 26 U.S.C. 47(a)(2) or as that section may be renumbered or amended.

17 (2) The credit allowed by this section may not be refunded if the taxpayer has a tax liability less
18 than the amount of the credit. If the sum of credit carryovers from the credit, if any, and the amount of
19 credit allowed by this section for the tax year exceeds the taxpayer's tax liability for the current tax year,
20 the excess attributable to the current tax year's credit is a credit carryover to the 7 succeeding tax years.
21 The entire amount of unused credit must be carried forward to the earliest of the succeeding years, and
22 the oldest available unused credit must be used first.

23 (3) If the credit under this section is claimed by a small business corporation, as defined in
24 15-31-201, or a partnership, the credit must be attributed to shareholders or partners, using the same
25 proportion used to report the corporation's or partnership's income or loss for Montana income tax
26 purposes.
27

28 **NEW SECTION. Section 2. Credit for preservation of historic buildings.** (1) There is allowed as
29 a credit against the taxes imposed by 15-30-103 a percentage of the credit allowed for qualified
30 rehabilitation expenditures with respect to any certified historic building located in Montana as provided in

1 [section 1].

2 (2) The credit may not be allocated between spouses unless the property is used by a small
3 business corporation or a partnership in which they are shareholders or partners.

4

5 NEW SECTION. **Section 3. Codification instruction.** (1) [Section 1] is intended to be codified as
6 an integral part of Title 15, chapter 31, and the provisions of Title 15, chapter 31, apply to [section 1].

7 (2) [Section 2] is intended to be codified as an integral part of Title 15, chapter 30, and the
8 provisions of Title 15, chapter 30, apply to [section 2].

9

10 NEW SECTION. **Section 4. Applicability.** [Sections 1 and 2] apply to tax years beginning after
11 December 31, 1997.

12

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0601, as introduced

DESCRIPTION OF PROPOSED LEGISLATION: An act allowing an income tax credit or corporate license tax credit for the preservation of historic buildings; providing that the amount of the credit is 25 percent of the credit allowed under federal income tax laws; and providing an applicability date.

ASSUMPTIONS:

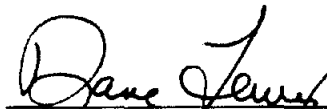
1. Certified historic rehabilitation expenditures in Montana annually averaged \$3,420,000 for federal fiscal years 1991-97 (Montana Historical Society).
2. Certified historic rehabilitation expenditures in Montana will annually average \$3,420,000 in calendar year 1998 and future years (MDOR).
3. The proposed legislation is applicable to tax years beginning after December 31, 1997 (MDOR).
4. The amount of the proposed tax credit would be claimed 80% by corporations and 20% by individuals (MDOR).
5. During FY99, 16.32% of the total value of credit claimed by corporations will be by financial institutions (HJR2/MDOR).
6. Corporation license tax receipts from financial institutions are allocated 80% to the local government, 17.9% to the General Fund, and 2.1% to the Long-Range Building Program (MDOR).
7. The proposed legislation would result in increased administrative expenditures by the Department. Programming and computer development costs would be \$16,018 in FY99 to modify the individual income tax and corporation license tax computer systems. On-going annual costs of \$654 would be needed for printing of forms and data storage.

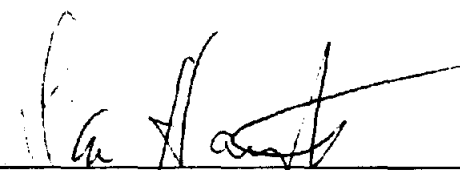
FISCAL IMPACT:

	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
<u>Expenditures:</u>		
DOR Operating	0	\$16,672
<u>Funding:</u>		
General Fund	0	16,672
<u>Revenues:</u>		
Individual Income Tax	\$0	(\$34,200)
<u>Corporation License Tax</u>	<u>\$0</u>	<u>(\$136,800)</u>
Total	\$0	(\$171,000)
<u>Fund Allocation:</u>		
General Fund	\$0	(\$153,140)
<u>Local Governments</u>	<u>\$0</u>	<u>(\$17,860)</u>
Total	\$0	(\$171,000)
<u>Net Impact: (Revenues - Expenditures)</u>		
General Fund	0	(169,812)
Local Governments	\$0	(\$17,860)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The proposed legislation would reduce Corporation License Tax revenues received from financial institutions which are allocated to local governments based upon the location of individual financial institutions.

 3.14.97
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning


DAN HARRINGTON, PRIMARY SPONSOR DATE
Fiscal Note for HB0601, as introduced

HB 601

House BILL NO. 601

INTRODUCED BY

Harvington - Harry Carlwin Merad
OKS [unclear] [unclear]

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING AN INCOME TAX CREDIT OR CORPORATE LICENSE TAX CREDIT FOR THE PRESERVATION OF HISTORIC BUILDINGS; PROVIDING THAT THE AMOUNT OF THE CREDIT IS 25 PERCENT OF THE CREDIT ALLOWED UNDER FEDERAL INCOME TAX LAWS; AND PROVIDING AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Credit for preservation of historic buildings.

(1) (a) There is allowed as a credit against the taxes imposed by 15-31-101, 15-31-121, and 15-31-122 a percentage of the credit allowed for qualified rehabilitation expenditures, with respect to any certified historic building located in Montana, as provided in 26 U.S.C. 47 or as that section may be renumbered or amended.

(b) The amount of the credit allowed for a tax year is 25% of the amount of the credit determined under 26 U.S.C. 47(a)(2) or as that section may be renumbered or amended.

(2) The credit allowed by this section may not be refunded if the taxpayer has a tax liability less than the amount of the credit. If the sum of credit carryovers from the credit, if any, and the amount of credit allowed by this section for the tax year exceeds the taxpayer's tax liability for the current tax year, the excess attributable to the current tax year's credit is a credit carryover to the 7 succeeding tax years. The entire amount of unused credit must be carried forward to the earliest of the succeeding years, and the oldest available unused credit must be used first.

(3) If the credit under this section is claimed by a small business corporation, as defined in 15-31-201, or a partnership, the credit must be attributed to shareholders or partners, using the same proportion used to report the corporation's or partnership's income or loss for Montana income tax purposes.

NEW SECTION. Section 2. Credit for preservation of historic buildings.

(1) There is allowed as a credit against the taxes imposed by 15-30-103 a percentage of the credit allowed for qualified rehabilitation expenditures with respect to any certified historic building located in Montana as provided in

1 [section 1].

2 (2) The credit may not be allocated between spouses unless the property is used by a small
3 business corporation or a partnership in which they are shareholders or partners.

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5 **NEW SECTION.** **Section 3. Codification instruction.** (1) [Section 1] is intended to be codified as
6 an integral part of Title 15, chapter 31, and the provisions of Title 15, chapter 31, apply to [section 1].

7 (2) [Section 2] is intended to be codified as an integral part of Title 15, chapter 30, and the
8 provisions of Title 15, chapter 30, apply to [section 2].

9

10 **NEW SECTION.** **Section 4. Applicability.** [Sections 1 and 2] apply to tax years beginning after
11 December 31, 1997.

12 -END-

House BILL NO. 601

INTRODUCED BY

Harmon - Taylor Carlwin Mendez
on Old Bill by James Todd Lynch

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING AN INCOME TAX CREDIT OR CORPORATE LICENSE TAX CREDIT FOR THE PRESERVATION OF HISTORIC BUILDINGS; PROVIDING THAT THE AMOUNT OF THE CREDIT IS 25 PERCENT OF THE CREDIT ALLOWED UNDER FEDERAL INCOME TAX LAWS; AND PROVIDING AN APPLICABILITY DATE."

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8 provisions of Title 15, chapter 30, apply to [section 2].

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10 **NEW SECTION. Section 4. Applicability.** [Sections 1 and 2] apply to tax years beginning after
11 December 31, 1997.

12

-END-

House BILL NO. 601

INTRODUCED BY

Harington - Taylor
in Old District
A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING AN INCOME TAX CREDIT OR CORPORATE LICENSE TAX CREDIT FOR THE PRESERVATION OF HISTORIC BUILDINGS; PROVIDING THAT THE AMOUNT OF THE CREDIT IS 25 PERCENT OF THE CREDIT ALLOWED UNDER FEDERAL INCOME TAX LAWS; AND PROVIDING AN APPLICABILITY DATE."

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8 provisions of Title 15, chapter 30, apply to [section 2].

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10 NEW SECTION. **Section 4. Applicability.** [Sections 1 and 2] apply to tax years beginning after
11 December 31, 1997.

12

-END-

HOUSE BILL NO. 601

INTRODUCED BY HARRINGTON, HARPER, PAVLOVICH, MENAHAN, SHEA, OHS, QUILICI, SQUIRES,
KOTTEL, LYNCH

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING AN INCOME TAX CREDIT OR CORPORATE LICENSE
TAX CREDIT FOR THE PRESERVATION OF HISTORIC BUILDINGS; PROVIDING THAT THE AMOUNT OF
THE CREDIT IS 25 PERCENT OF THE CREDIT ALLOWED UNDER FEDERAL INCOME TAX LAWS; AND
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the oldest available unused credit must be used first.

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purposes.

NEW SECTION. Section 2. Credit for preservation of historic buildings. (1) There is allowed as
a credit against the taxes imposed by 15-30-103 a percentage of the credit allowed for qualified

1 rehabilitation expenditures with respect to any certified historic building located in Montana as provided in
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9 provisions of Title 15, chapter 30, apply to [section 2].

10
11 **NEW SECTION. Section 4. Applicability.** [Sections 1 and 2] apply to tax years beginning after
12 December 31, 1997.

13 -END-

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Chase Hibbard, on March 12, 1997, at 8:00 a.m., in Room 437.

ROLL CALL

Members Present:

Rep. Chase Hibbard, Chairman (R)
Rep. Robert R. Story, Jr., Vice Chairman (Majority) (R)
Rep. Robert R. "Bob" Ream, Vice Chairman (Minority) (D)
Rep. Peggy Arnott (R)
Rep. Paul Bankhead (R)
Rep. John C. Bohlinger (R)
Rep. Bill Carey (D)
Rep. Alvin A. Ellis, Jr. (R)
Rep. Marian W. Hanson (R)
Rep. Hal Harper (D)
Rep. Dan W. Harrington (D)
Rep. Rick Jore (R)
Rep. Scott J. Orr (R)
Rep. Bob Raney (D)
Rep. John "Sam" Rose (R)
Rep. William M. "Bill" Ryan (D)
Rep. Richard D. Simpkins (R)
Rep. Emily Swanson (D)
Rep. Lila V. Taylor (R)
Rep. Jack Wells (R)

Members Excused: None

Members Absent: None

Staff Present: Lee Heiman, Legislative Services Division
Donna Grace, Committee Secretary

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 599 (3/11)
HB 601 (3/11)

Executive Action: HB 587 - Table
Discussion Only: SB 195, SB
211, SB 319, HB 443, HB 590,
HB 589, HB 587

HEARING ON HB 599

Opening Statement by Sponsor:

Rep. Paul Bankhead, House District 72, presented a bill which would allow the establishment of a first-time home buyer's savings account. {Tape: 1; Side: A; Approx. Time Count: 1.3.}

Proponents' Testimony:

Maureen Rude, Department of Commerce, Board of Housing. {Tape: 1; Side: A; Approx. Time Count: 9.3.}

Douglas D. Rauthe, Northwest Montana Human Resources, Mayor of Kalispell. {Tape: 1; Side: A; Approx. Time Count: 12.3.}

Steve Yeakle, Human Resources Development Council. {Tape: 1; Side: A; Approx. Time Count: 16.6.}

Don Chance, Montana Builders Association. {Tape: 1; Side: A; Approx. Time Count: 18.4.}

Glenn Johnson, President, Habitat for Humanity. {Tape: 1; Side: A; Approx. Time Count: 20.2.}

Bob Pyfer, Montana Credit Union League. {Tape: 1; Side: A; Approx. Time Count: 21.5.}

Opponents' Testimony:

None.

Informational Testimony:

None.

Questions From Committee Members and Responses:

{Tape: 1; Side: A; Approx. Time Count: 25.2; Comments: Continued on Tape 1B.}

Closing by Sponsor:

Rep. Bankhead closed the hearing. {Tape: 1; Side: B; Approx. Time Count: 23.5.}

HEARING ON HB 601

Opening Statement by Sponsor:

Rep. Dan Harrington, House District 38, opened the hearing on HB 601 which would provide a tax credit to match the federal credit for preservation of historic buildings. {Tape: 2; Side: A; Approx. Time Count: 0.1.}

Proponents' Testimony:

Mark Reavis, Montana Historical Preservation Officer, Butte.
{Tape: 2; Side: A; Approx. Time Count: 7.5.}

Evan Barrett, Executive Director and Legislative Director,
Montana Economic Development Association. EXHIBIT 1. {Tape: 2;
Side: A; Approx. Time Count: 12.5.}

Kathy Macefield, Historical Preservation Officer, Helena.
EXHIBIT 2. {Tape: 2; Side: A; Approx. Time Count: 19.2.}

Opponents' Testimony:

None.

Informational Testimony:

None.

Questions From Committee Members and Responses:

{Tape: 2; Side: A; Approx. Time Count: 20.9.}

Closing by Sponsor:

Rep. Harrington closed the hearing. {Tape: 2; Side: B; Approx.
Time Count: 14.0.}

EXECUTIVE ACTIONDiscussion:

Chairman Hibbard entertained a philosophical discussion on tax policy in order to determine the direction the Committee wished to take on the property tax situation. Pending bills were divided into categories. Option A consisted of SB 195, SB 211, and SB 319; Option B consisted of HB 443, HB 590, HB 589 and HB 587. Option C proposes a tax freeze. {Tape: 3; Side: A; Approx. Time Count: 0.1.}

It was suggested that SB 319 and HB 587 be removed from consideration because they deal with reduction of state mills, although it would not be necessary to take official action at this time. {Tape: 3; Side: A; Approx. Time Count: 4.2.}

EXECUTIVE ACTION ON HB 587Motion/Vote:

Rep. Swanson moved to table HB 587. On a voice vote, the motion passed unanimously, 20 - 0. {Tape: 3; Side: A; Approx. Time Count: 9.6.}

- - - - -
Discussion of rate reduction and homestead exemption bills, HB 443, HB 589, and HB 590. {Tape: 3; Side: A; Approx. Time Count: 10.9.}

Rep. Swanson commented that she was a sponsor of HB 443 and expected the bill to be given equal consideration. EXHIBIT 3 AND 4. {Tape: 3; Side: A; Approx. Time Count: 12.5.}

Rep. Ream commented on HB 589 and the feasibility of going with the freeze proposal because it would be necessary to go back to the 1992 values. {Tape: 3; Side: A; Approx. Time Count: 13.1.}

Judy Paynter confirmed that the DOR staff could reconstruct the 1992 data but there would be a cost associated with the process. {Tape: 3; Side: A; Approx. Time Count: 14.4.}

Mary Bryson, Director, DOR, said she would assume there would be appeals because of the complexity involved and they are not totally convinced that they can go back to the exact dollar amount. {Tape: 3; Side: A; Approx. Time Count: 20.2.}

General discussion followed. {Tape: 3; Side: A; Approx. Time Count: 22.0; Discussion continued on Tape 3B and Tape 4A.}

Chairman Hibbard asked for a show of hands to determine if the Committee was in favor of a rate reduction or a homestead exemption. Eleven members voted against the option and seven voted for it; Rep. Orr abstained. {Tape: 4; Side: A; Approx. Time Count: 16.9.}

Discussion followed. {Tape: 4; Side: A; Approx. Time Count: 20.3.}

On a show of hands, the Committee elected to pursue the options presented under Option C. {Tape: 4; Side: A; Approx. Time Count: 27.1.}

{Tape: 4; Side: A; Approx. Time Count: 28.8; Comments: Adjourn.}

ADJOURNMENT

Adjournment: 11:40 a.m.



REP. CHASE HIBBARD, Chairman



DONNA GRACE, Secretary

CH/DG

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Chase Hibbard, on March 21, 1997, at 8:00 a.m., in Room 437.

ROLL CALL

Members Present:

Rep. Chase Hibbard, Chairman (R)
Rep. Robert R. Story, Jr., Vice Chairman (Majority) (R)
Rep. Robert R. "Bob" Ream, Vice Chairman (Minority) (D)
Rep. Peggy Arnott (R)
Rep. Paul Bankhead (R)
Rep. John C. Bohlinger (R)
Rep. Bill Carey (D)
Rep. Alvin A. Ellis, Jr. (R)
Rep. Marian W. Hanson (R)
Rep. Hal Harper (D)
Rep. Dan W. Harrington (D)
Rep. Rick Jore (R)
Rep. Bob Raney (D)
Rep. John "Sam" Rose (R)
Rep. William M. "Bill" Ryan (D)
Rep. Richard D. Simpkins (R)
Rep. Emily Swanson (D)
Rep. Lila V. Taylor (R)
Rep. Jack Wells (R)

Members Excused:

Rep. Scott J. Orr (R)

Members Absent: None

Staff Present: Lee Heiman, Legislative Services Division
Donna Grace, Committee Secretary

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 606 (3/19)
HB 611 (3/18)

Executive Action: HB 597 - Do Pass as Amended
HB 601 - Do Pass
HB 295 - Table
HB 417 - Table
HB 465 - Table
HB 194 - Table
HB 451 - Table
HB 609 - Table

HEARING ON HB 606Opening Statement by Sponsor:

Rep. Joan Hurdle, House District 13, opened the hearing on HB 606. The bill would place a cap on the federal income tax deduction and includes a homestead exemption. **EXHIBIT 1.** {Tape: 1; Side: A; Approx. Time Count: 1.3.}

Proponents' Testimony:

Russell LeVigne, People's Law Center. {Tape: 1; Side: A; Approx. Time Count: 13.8.}

Darrell Holzer, Montana State AFL-CIO. {Tape: 1; Side: A; Approx. Time Count: 15.8.}

Opponents' Testimony:

Dennis Burr, Montana Taxpayers' Association. {Tape: 1; Side: A; Approx. Time Count: 18.6.}

Informational Testimony:

None.

Questions From Committee Members and Responses:

EXHIBIT 2. {Tape: 1; Side: A; Approx. Time Count: 22.0; Comments: Continued on Tape 1 B.}

Closing by Sponsor:

Rep. Hurdle closed the hearing. {Tape: 1; Side: B; Approx. Time Count: 11.9.}

HEARING ON HB 611Opening Statement by Sponsor:

Rep. Hal Harper, House District 52, opened the hearing on HB 611, a bill which would allow an exclusion of taxable value of property under a protest proceeding from taxable valuation. {Tape: 1; Side: B; Approx. Time Count: 13.5.}

Proponents' Testimony:

Mary Bryson, Director, Department of Revenue. {Tape: 1; Side: B; Approx. Time Count: 16.6.}

Gordon Morris, Director, Montana Association of Counties. {Tape: 1; Side: B; Approx. Time Count: 18.2.}

Alec Hanson, League of Cities and Towns. {Tape: 1; Side: B;
Approx. Time Count: 20.5.}

Don Walter, Rural Education Association. {Tape: 1; Side: B;
Approx. Time Count: 21.7.}

Opponents' Testimony:

None.

Informational Testimony:

None.

Questions From Committee Members and Responses:

{Tape: 1; Side: B; Approx. Time Count: 22.3; Comments: Continued
on Tape 2 A.}

Closing by Sponsor:

Rep. Harper closed. {Tape: 2; Side: A; Approx. Time Count: 1.0.}

EXECUTIVE ACTION ON HB 295

Motion:

Rep. Raney moved do pass on the gray bill version of HB 295.
{Tape: 2; Side: A; Approx. Time Count: 1.9.}

Discussion:

{Tape: 2; Side: A; Approx. Time Count: 2.0.}

Motion/Vote:

Rep. Raney moved a conceptual amendment to the section on
historic preservation. The motion passed 17 - 3, with Reps.
Rose, Bohlinger and Swanson voting no. {Tape: 2; Side: A;
Approx. Time Count: 27.5.}

Vote:

Rep. Raney moved do pass as amended on HB 295. The motion failed
on a 10 - 10 tie vote. Reps. Story, Orr, Rose, Wells, Ellis,
Simpkins, Bankhead, Taylor, Hanson and Hibbard voting no. {Tape:
2; Side: B; Approx. Time Count: 0.1.}

Motion/Vote:

Rep. Ellis moved to table HB 295. The motion passed on a tie
vote, 10 - 10 with Reps. Ryan, Arnott, Carey, Harrington, Jore,
Bohlinger, Swanson, Harper, Raney and Ream voting no. {Tape: 2;
Side: B; Approx. Time Count: 1.1.}

EXECUTIVE ACTION ON HB 417

Discussion:

{Tape: 2; Side: B; Approx. Time Count: 4.2.}

Motion/Vote:

Rep. Harper moved that HB 417 do pass as amended. The motion failed 11 - 9, with Reps. Ryan, Carey, Harrington, Simpkins, Bohlinger, Swanson, Harper, Raney and Ream voting yes. *{Tape: 2; Side: B; Approx. Time Count: 6.6.}*

Motion/Vote:

Rep. Story moved to table HB 417. The motion carried 11 - 9, with Reps. Ryan, Carey, Harrington, Simpkins, Bohlinger, Swanson, Harper, Raney and Ream voting no. *{Tape: 2; Side: B; Approx. Time Count: 8.0.}*

EXECUTIVE ACTION ON HB 465

Motion/Vote:

Rep. Rose moved to table HB 465. The motion passed 15 - 4 with Reps. Ryan, Harrington, Harper and Raney voting no. *{Tape: 2; Side: B; Approx. Time Count: 9.2.}*

EXECUTIVE ACTION ON HB 599

Motion:

Rep. Bankhead moved HB 599 do pass. *{Tape: 2; Side: B; Approx. Time Count: 12.0.}*

Motion/Vote:

Rep. Bankhead moved the amendments to HB 599. **EXHIBIT 3.** The motion passed 18 - 1. *{Tape: 2; Side: B; Approx. Time Count: 13.3.}*

Motion/Vote:

Rep. Bankhead moved a conceptual amendment to place responsibility on the account owner. The motion passed unanimously. *{Tape: 2; Side: B; Approx. Time Count: 23.8; Comments: Further discussion on Tape 3 A.}*

Further action on HB 599 was postponed.

EXECUTIVE ACTION ON HB 601

Motion/Vote:

Rep. Harrington moved HB 601 do pass. **EXHIBIT 4.** The motion passed 11 - 9, with Story, Orr, Arnott, Rose, Wells, Ellis, Jore, Taylor and Hanson voting no. {Tape: 3; Side: A; Approx. Time Count: 5.1.}

EXECUTIVE ACTION ON HB 194

Motion:

Rep. Swanson moved HB 194 do pass. {Tape: 3; Side: A; Approx. Time Count: 28.0.}

Discussion:

{Tape: 3; Side: B; Approx. Time Count: 0.1.} **EXHIBIT 5.**

Motion/Vote:

Rep. Harper moved amendments to HB 194. The motion passed unanimously. {Tape: 3; Side: B; Approx. Time Count: 6.3.}

Substitute Motion/Vote

Rep. Hanson moved to table HB 194. The motion passed 14 - 6, with Reps. Carey, Harrington, Bohlinger, Swanson, Harper and Ream voting no. {Tape: 3; Side: B; Approx. Time Count: 10.1.}

EXECUTIVE ACTION ON HB 451

Motion:

Rep. Harper moved HB 451 do pass. {Tape: 3; Side: B; Approx. Time Count: 12.2.}

Motion/Vote:

Rep. Simpkins moved amendment No. 1. **EXHIBIT 6.** The motion passed 19 - 1 with Rep. Story voting no. {Tape: 3; Side: b; Approx. Time Count: 12.2.}

Motion/Vote:

Rep. Simpkins moved that HB 451 as amended do pass. The motion failed 13 - 7 with Reps. Ryan, Arnott, Wells, Harrington, Simpkins, Bankhead and Harper voting yes. {Tape: 3; Side: B; Approx. Time Count: 26.1.}

Motion/Vote:

Rep. Story moved to table HB 451. The motion passed 13 - 7 with Reps. Ryan, Arnott, Wells, Harrington, Simpkins, Bankhead and Harper voting no. {Tape: 3; Side: B; Approx. Time Count: 29.0.}

EXECUTIVE ACTION ON HB 597

Motion:

Rep. Rose moved that HB 597 do pass. {Tape: 4; Side: A; Approx. Time Count: 0.1.}

Motion/Vote:

Rep. Rose moved amendments to HB 597. EXHIBIT 7. The motion passed unanimously. {Tape: 4; Side: A; Approx. Time Count: 1.0.}

Motion/Vote:

Rep. Rose moved that HB 597 do pass as amended. The motion passed unanimously. {Tape: 4; Side: A; Approx. Time Count: 17.5.}

EXECUTIVE ACTION ON HB 609

Motion:

Rep. Arnott moved HB 609 do pass. {Tape: 4; Side: A; Approx. Time Count: 18.1.}

Substitute Motion/Vote:

Rep. Simpkins moved to table HB 609. The motion passed 19 - 1 with Rep. Arnott voting no. {Tape: 4; Side: A; Approx. Time Count: 23.1.}

EXECUTIVE ACTION ON PROPOSED COMMITTEE BILL

Discussion:

Rep. Ream proposed a Committee bill which would provide property tax options in regard to the conversion of property from one use to another. EXHIBIT 8. {Tape: 4; Side: A; Approx. Time Count: 25.2; Comments: Discussion continued on Tape 4 B.}

Motion/Vote:

Rep. Ream moved to draft a Committee bill. The motion failed 13 - 7 with Story, Arnott, Wells, Ellis, Jore, Bankhead and Taylor voting no. (75% required to draft a committee bill.) {Tape: 4; Side: B; Approx. Time Count: 4.8.}

EXECUTIVE ACTION ON HB 393

Motion/Vote:

Rep. Simpkins moved to remove HB 393 from the table for amendment. The motion failed 13 - 7, with Reps. Story, Orr,

Arnott, Wells, Jore, Simpkins and Bankhead voting yes. {Tape: 4; Side: B; Approx. Time Count: 7.9.}

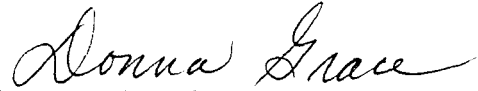
{Tape: 4; Side: B; Approx. Time Count: 9.7; Comments: Adjourn.}

ADJOURNMENT

Adjournment: 12:00 Noon.



REP. CHASE HIBBARD, Chairman



DONNA GRACE, Secretary

CH/DG

MINUTES

**MONTANA SENATE
55th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on April 8, 1997, at 8:00 a.m., in Room 415.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Mike Foster, Vice Chairman (R)
Sen. Mack Cole (R)
Sen. Bob DePratu (R)
Sen. Dorothy Eck (D)
Sen. Wm. E. "Bill" Glaser (R)
Sen. Mike Sprague (R)
Sen. Barry "Spook" Stang (D)
Sen. Fred R. Van Valkenburg (D)

Members Excused: None

Members Absent: None

Staff Present: Jeff Martin, Legislative Services Division
Renée Podell, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 601, HB 612 - April 3, 1997
Executive Action: HB 612, BCI; HB 434 & HB 591,
Discussion Only

HEARING ON HB 612

Sponsor: REP. CHASE HIBBARD, HD 54, HELENA

Proponents: Gordon Morris, Montana Association of Counties
George Bennett, Montana Bankers Association
Keith Colbo, Montana Independent Bankers
Dennis Burr, Montana Taxpayers Association

Opponents: None

{Tape: 1; Side: 1; Approx. Time Count: 8:00; Comments: None.}

Opening Statement by Sponsor:

REP. CHASE HIBBARD, HD 54, HELENA explains the history behind HB 612. For many years banks and financial institutions were taxed on shares. They were taxed by local taxing jurisdictions as a property tax. The bankshares tax in 1979 was ruled unconstitutional. Rather than have that source of income for local taxing jurisdictions dry up, they struck a deal with the State of Montana and counties, whereby, a percentage of the corporate license tax that was paid into the state would be returned to the counties based upon the taxes paid in those respective counties. There would be a flow-back to the counties as there was previously. This particular bill addresses that and does two things: First, it allows financial institutions to file consolidated returns. The reason for that is with recent banking law that allow mergers, consolidations and branching, it's appropriate for these institutions to now file consolidated returns and they ARE filing consolidated returns. Second and the most important thing this bill does, it changes the way that distribution of tax money goes back to the counties. As I mentioned previously, 80% goes back to those counties in relationship to the amount paid in any given year. There are a couple of problems with that. The first problem is that if a bank has a profitable year and pays a lot of corporate income tax, it goes to the state and 80% goes back to the county. The next year, if that financial institution has an unprofitable year, it could possibly be looking at some loss carried forward carried back and it could put that county into a position of having to refund money to the state. The second problem that exists, is recent Federal legislation makes it possible for qualifying financial institutions to declare Subchapter S status. If they do that, they no longer file corporate license taxes, therefore, the flow of money back to that county would dry up from that particular financial institution. What this bill does, it changes the method with which this is calculated. It does it all on a five year average. It'll take the five year average for all the financial institutions within a particular county, divided by the total collections statewide and it will return that money back to those counties based upon it's five year average. If there's a blip in any given year, where a financial institution loses money, or if one declares Subchapter S status, that flow of money will not dry up. It'll just become part of the average and the money will continue to flow back to the county. It's a very simple bill. Financial institutions and counties all testified in favor of the bill. It passed the House by a vote of 97-2. I will be happy to answer questions.

{Tape: 1; Side: 1; Approx. Time Count: 8:05; Comments: None.}

Proponents' Testimony:

Gordon Morris, Montana Association of Counties (MACO), states this is a bill they have worked on with the Banking Association. He comments by referring to the fiscal note (EXHIBIT #1) under

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES and closes with the LONG-RANGE EFFECTS OF PROPOSED LEGISLATION. He states this is an idea we have talked about for years and we finally have a proposal that we can all live with in HB 612. We ask for your consideration.

George Bennett, Attorney for Montana Bankers Association, states that while this is a banking bill, it was drafted by the Dept. of Revenue. It irons out the problems that **REP. HIBBARD** has described to you. The allocation back to local government of revenues derived by financial institutions. That problem is going to increase in difficulty as we see new statewide interstate branching. The sourcing of income would apply to deposit is going to become a little bit more difficult. This bill helps everyone. The financial institutions, local government, and the Dept. of Revenue in addressing the problems of allocating back to local government and in allowing fairness in the filing of returns because only financial institutions to this date have been made to wait to file consolidated returns. One little historic note. Before 1979, Congress dictated how states could tax national banks and that's how you got the banks cash and the money kept, in fact, was applied to what we use to call savings & loans, now called savings banks. Credit unions are not affected because they do not pay tax. This will bring equity between the state and national banks and the state and national savings banks. We hope you'll see fit to pass this bill.

Dennis Burr, Montana Taxpayers Association (MTA), states we support the bill for the reasons mentioned and this bill allows banks to file returns like all other businesses. It provides the distribution method to local governments to ensure they will have an even flow of revenue from these institutions.

Keith Colbo, Executive Director of the Montana Independent Bankers Association (MIBA), states we stand in support of HB 612 and we would certainly like to compliment those that have worked on this bill.

Informational Testimony:

Lynn Chenoweth, Dept. of Revenue (DOR), states he supports this bill for all the reasons explained. He expounds that under current law, when the Department of Revenue distributes taxes paid by a particular bank to the county where that bank is located, those taxes may be subject to a refund for five years. If a bank has a loss, which they carry back, or if the bank has any other adjustments to their taxable income, they have five years to file a refund with the department. It has happened in the past, where a county would receive the money and three or four or five years later, they had to give the money back to the bank. Money they had already spent. This bill will address that and it will also give the counties a fairly predictable and

steady source of revenue that they can budget for in near years. We support the bill.

Questions From Committee Members and Responses:

SEN. BOB DEPRATU asks when does the five year average start? **Mr. Chenoweth (DOR)** states if it starts July 1, we would go back the previous five years to compute what the average accounting was for the last five years. That average would be applied to the first year.

SEN. DEPRATU asks if the state could conceivably advance funds over and above what they have collected? **Mr. Chenoweth (DOR)** states "no they wouldn't." They would distribute money at the end of the year. If the department collected money and received a refund claim, they would distribute the net amount. The department would never distribute more money than what it has received.

CHAIRMAN DEVLIN asks how can that be if you are on an average and they have a low year? **Mr. Chenoweth (DOR)** states the average that he is talking about is a percentage, it's not a dollar amount. So if Lewis & Clark County's five year average was 5%, then a year from now the county will receive 5% of whatever the department receives.

SEN. MACK COLE asks that each county the money goes into, does it go back on a percentage over a five year period, broke down county by county? **Mr. Chenoweth (DOR)** replies the money, when it's originally paid by the bank, comes to the department. Under current law the bank pays \$100 tax and we distribute \$8 back to the local county. This bill will change this method of distribution. Under this bill, we'll put the \$100 in with the taxes paid by every bank and add it up at the end of the year. If the total is \$10 million, \$8 million will get distributed and each county will get their share of that \$8 million based upon the five year average percentage.

SEN. DOROTHY ECK asks how do they figure what each county receives? **Mr. Chenoweth (DOR)** states they would get their share based upon ratio of the deposits in each county. If a bank has ten other banks, but they all merged into one, each county would still get their portion of the tax paid by the one bank based upon the deposits that were made in each branch.

SEN. ECK states that in the past this committee has dealt with national organizations that have businesses in Montana and the unitary tax. Do we still have that? **Mr. Chenoweth (DOR)** replies "yes, we do."

SEN. ECK asks if unitary tax has any affect on this banking bill? **Mr. Chenoweth (DOR)** states that it doesn't have any impact on the method of distribution. The unitary tax is a way of computing your tax liability and this bill doesn't compute your tax

liability. This bill determines once you've paid your tax, how it should be distributed back to the counties.

{Tape: 1; Side: 1; Approx. Time Count: 8:15; Comments: None.}

Closing by Sponsor:

REP. HIBBARD states just so you have some idea of the magnitude of this, the corporate license tax which is currently distributed back to the counties is currently \$10 and \$14 million and we are looking at 80% of that amount. This is not an insignificant amount of tax revenue that's involved. This ratio is figured based upon a percent. It's the five year average for the county, divided by total contributions and it's the percent of those total contributions to the total collections. That's going to be a moving average that's going to change from year to year, depending on the total collections. This is a bill that benefits all parties involved. We did have some questions in the House Committee about allowing the filing of consolidated returns. An example would be: If there was a bank in Lewis and Clark County that had a branch in Jefferson County, all of a sudden they file a consolidated return. Would Lewis and Clark get credit for all of those taxes and Jefferson County not get credit? The answer to that is "NO". This is figured out based upon deposits of each member institution. Counties are still going to get credit for the existence of the financial institutions in that particular location if the consolidated location is somewhere else. This is a bill that helps all involved and I would encourage your favorable consideration.

HEARING ON HB 601

Sponsor: REP. DAN HARRINGTON, HD 38, BUTTE

Proponents: W. James Kembel, City of Billings
Matthew Cohn, Montana Dept. of Commerce
Brian Cockhill, Montana Historical Society
Evan Barrett, Montana Economy Developers -

Opponents: None

{Tape: 1; Side: 1; Approx. Time Count: 8:20; Comments: None.}

Opening Statement by Sponsor:

REP. DAN HARRINGTON, HD 38, BUTTE states that in this Legislature they have been asked appropriately to take steps to save some of the unique historical structures in Montana. There may be some disagreement with how we pay for these efforts, but there is precious little disagreement about how we preserve Virginia and Nevada City. Thank God that so many of us in the Legislature understand that history is not just totally in the books. Historically, it also belongs to the historic buildings and

architecture that still remain. Preserving those buildings and putting them in contemporary use while still retaining their historical character is a goal of the United States government. It has been for many years. They provide a Federal tax credit to those who address the use of historical structures. Montana needs to adopt the same provisions in HB 601, to stimulate historical preservation by authorizing a state tax credit to partially match the Federal tax credit. Virtually every community in Montana has one or more historical significant structures. I'm sure most of you can visualize such a structure in your own home town. HB 601 provides incentive to lease or proper development of such structures. The tax credit on HB 601 is 25% of the Federal tax credit. The Federal tax credit of 20% of funds or above the initial purchase price invested in property or renovating the historical structure. The state tax credit then would be about 5% of the funds fully invested. This isn't much but it is an amount that can help make a difference between a building that is left to ruin and a building that is preserved. There's virtually no administrative cost to this effort. The bill is written so through the Federal historical structure, identification designed to review construction monitoring and eventually granting a Federal tax credit, must all be completed before the developer can apply for historical cash credit from the state. We simply augment the tax credit after it is granted. I want to urge you to support HB 601 as a small tool that can make a big difference in restoration and the use of historic structures in the State of Montana.

{Tape: 1; Side: 1; Approx. Time Count: 8:26; Comments: None.}

Proponents' Testimony:

Brian Cockhill, Director of the Montana Historical Society (MHS), states that placed before the committee are files of buildings currently being considered for historical preservation tax credits under the Federal law allowing for such renovation. We obviously support this bill because we believe not only is it good to celebrate our heritage but more importantly, it is important we recognize an investment in our historic structures. What this does for us as the Montana Historical Society operates the program, it gets communities and developers a chance to restore or bring into life our downtowns. The small tax credit will help to a great degree with developers. You need to understand, first off, this is only going to be allowable on properties that are income generated. The state will be assured that any tax credit will be offset eventually by economic contributions to the vitality of a given community. What you have before you are records of a commercial street in Bozeman; the Power Hotel which is a \$3 million project in Red Lodge; the OW Ranch near Decker; and, the Herbert Tower which is the first skyscraper in Montana. These are projects underway in Montana which will add to the economic vitality of the Main streets in the communities of Montana. We already have an office that administers the program to allow for Federal tax credits. There

would be no additional work and no additional cost other than the obvious tax credit itself.

Evan Barrett, Executive Director of the Butte Local Development Corporation and a member of the Montana Economic Developers Association, states this legislation has advanced from the last session and I'm pleased that it has come before the Senate. We hope you give it positive consideration. Tourism is a key component of our economic development, particularly in areas where they don't have industry. The historical infrastructure is a key part of that, taking advantage of that which we already have. The Federal tax credit that exists today is a reduced level tax credit compared to what it use to be. Formally there was a 25% level tax credit which helped to provide incentive for the reconstruction of historical structures. The Federal government lowered that from 25% to 20% and by the state adopting this tax credit, it essentially would boost the tax credit back up to the 25% level which is an added incentive for the investment necessary to do this. **Mr. Barrett (MEDA)** provides **(EXHIBIT #2) HB 601 -- Benefit Analysis** and explains. He also states the fiscal note is too high. Reality is that the average amount of reconstruction over the last seven years has averaged about \$1.87 million rather than \$3.4 million. Remember, we're talking about a 5% credit against that. The retention of the significant history and character of communities is an important part of the quality of life that makes Montana an attractive place to live and to do business. We in the economic development community believe passage of this legislation would have modest financial impacts on the state and significant benefits in terms of the character and the tourism potential for the state as a whole. We urge your support.

Matthew Cone, Administrator of Travel Montana, Dept. of Commerce, states that **Mr. Cockhill (MHS)** spoke on the nature of the bill. I would like to speak on the tourism side to emphasize that historic and cultural tourism have become an ever increasing part of the mix that we see. We find that about 20% of the nonresident visitors to our state, that's what they're interested in...that's their primary purpose for coming here. While there are many states and many countries that have great scenic beauty and diversity like we do in Montana, what makes us unique is the combination of our people, our culture, and our place. These historic structures are an important part of who we are, and what we are, and also why people visit. I urge your support on this bill.

Jim Kimbell, Representing the City of Billings, states we support the legislation in that it provides additional incentive for the development of the downtown areas.

{Tape: 1; Side: 1; Approx. Time Count: 8:35; Comments: None.}

Questions From Committee Members and Responses:

CHAIRMAN DEVLIN asks the department if they put the fiscal note together? **Jeff Miller, Dept. of Revenue (DOR)**, states they did put the fiscal note together. **CHAIRMAN DEVLIN** states the effective date on this is December 31 and then we get into a fiscal year that there is no impact and no impact in the FY 98. **Mr. Miller (DOR)** states the reason is because these would be for investments that occur after December 31, 1997. So likely that would occur in CY 98 and those returns would be filed in CY 99. It would be FY 99 before we would see anything. **CHAIRMAN DEVLIN** states then it wouldn't change from FY 99 to FY 2000. **Mr. Miller (DOR)** states that would depend on the investment.

SEN. VAN VALKENBURG states the fiscal note indicates that the certified historic rehab expenditures annually averaged \$3.4 million since 1991. **Mr. Barrett (MEDA)** told us that it's quite a bit less than that. **Mr. Cockhill (MHS)** states it has been their experience that we do about seven or eight projects a year and that's based on an average. They can obviously vary in value. I think, we would come down to an amount somewhere in the middle, based on the experience of having done this over the course of the last 25 years.

SEN. VAN VALKENBURG asks, do you know when the Federal government changed its percentage that it allows the credit from 25% to 20%. **Mr. Cockhill (MHS)** states his best recollection is eight or nine years ago.

SEN. ECK asks where is this ranch and bunkhouse? **Mr. Cockhill (MHS)** states that what we were tried to do in bring these to you was to give you a variety of different kinds of commercial structures that are being considered for this tax credit. The ranch is near Decker. It's a ranch and out buildings that were constructed in the 1890's. The reason it qualifies is because it is being restored but it will continue to be a working cattle ranch. Therefore the ranch will have an income producing nature to it.

Closing by Sponsor:

REP. HARRINGTON states we all have a responsibility for Montana's future. We also have a responsibility to the past. We can help make the future by the decisions we make in this Legislature. By our actions here, we can only preserve small parts of the remainder of the sorted past and that past was part of the soul of Montana. By passing HB 601, we will be investing a few dollars into the soul of our great state. As we look across the state, we know that in each of these communities there have been certain buildings that have been designated as historical sights. We see many of these areas that are deteriorating for the most part. We are looking to make these areas a productive part of our cities. Remember that's the only ones that would qualify

under this bill and they have to go through the process to be declared at the Historical Society.

{Tape: 1; Side: 1; Approx. Time Count: 8:43; Comments: None.}

EXECUTIVE ACTION ON HB 434

Motion: SEN. ECK MOVES HB 434 BE CONCURRED IN.

Discussion:

SEN. ECK states HB 434 has some tax impact and the Governor will have to decide what he'll do with it. But in the long run, we've discussed this with a number of the programs we have in contributing toward endowments. It means the funding continues over a long period of time and I think we are going to rely more and more on private endowments to fund different programs.

SEN. GLASER states looking at the fiscal impact and it appears to be approximately \$200,000. 25% of that is corporate income tax and I think if I recall correctly that a portion of corporate income tax does go to local governments. You are looking at \$100,000 that are going to be taken away from kids because a good portion of that income tax revenue goes right into the General Funds which in turn goes to the foundation schedules, etc. I'm not going to support this bill.

Vote: THE DO PASS MOTION FOR 434 FAILED 5-4 ON ROLL CALL VOTE.

EXECUTIVE ACTION ON HB 612

Motion: SEN. SPRAGUE MOVES HB 612 BE CONCURRED IN.

Discussion:

SEN. GLASER states he thinks HB 612 provides stability and regulation of income to local government. That's what income averaging is all about.

CHAIRMAN DEVLIN agrees stating in the small county he represents they have only one bank. The county has trouble with the budget because they don't know how much money they're going to receive and it's a considerable amount of their budget.

SEN. STANG questions what do they do with a new bank in a county and there is no five years to average? Do they get nothing for five years until they get a five year average? Mr. Chenoweth (DOR) replies that county would get a portion of tax, it would be a smaller portion gradually built up. The first year they would get what share of the percentage of the total is for that year - they would get 1/5 of it, then the next year 2/5, and the next 3/5, etc. After five years, then they would get the full share.

CHAIRMAN DEVLIN asks where there is a branch bank in one county and the other one is out of state, how does that work? **Mr. Chenoweth** answers if there is one branch in the state and the rest of its out of state, 100% of the tax goes into the pool of monies and that county where the branch is at will get their share of the average.

SEN. SPRAGUE asks if his analysis is correct that this is like averaging your utilities or averaging your gas (winter months versus summer months). A leveling out of expectations. **Mr. Chenoweth** replies "you're right." The averaging we're talking about is the average of revenue that goes to the county. The banks don't get income average of their tax and they pay taxes like any other corporation does. It's the counties that can average their revenues so that it's a more stabile source.

Vote: THE DO PASS MOTION FOR HB 612 PASSES WITH SEN. STANG VOTING NO.

SEN. SPRAGUE offers to carry bill.

EXECUTIVE ACTION ON HB 591

Motion: SEN. VAN VALKENBURG MOVES HB 591 BE CONCURRED IN.

Discussion:

SEN. VAN VALKENBURG states basically this is a real good bill. It simplifies the process for the elderly homeowner tax credit. As the department indicated, it is one of the things that is most used in terms of credits on our state income tax. The department has come up with a proposal that keeps this revenue neutral and it establishes a little more equity in the application of the credit. Some people who have very high incomes are not going to be eligible for the credit now due to the change in the way pension income is figured. At the same time, other people who are in the upper mid level, who have not been eligible for the credit at all before because they didn't have specific pension income (they had rents or other income) are now going to be eligible. HB 591 does a good job all the way around.

SEN. DEPRATU states he has problems penalizing those people who work hard to get ahead and prepare for their retirement.

SEN. ECK states people that do good by investing in stocks or bonds, deserve to have that credit recognized as much as if you have a pension. I think this provides a good balance.

Vote: THE DO PASS MOTION FOR HB 591 RESULTED IN A TIE VOTE ON ROLL CALL VOTE. CHAIRMAN DEVLIN HOLDS VOTE OPEN FOR SEN. MIKE FOSTER.

Motion: SEN. SPRAGUE MOVES TO RECONSIDER ACTION ON HB 434.

Discussion:

SEN. SPRAGUE states he did not speak up on this bill and he thinks there is a misunderstanding. He requests the committee reconsider its action because we're concentrating on the wrong end of the rope.

SEN. ECK states this bill WILL come to the Floor eventually. There are 22 senators who have signed the bill and over half of those are Republicans. I think it would be better if we send it out from the committee rather than have a motion from the Floor.

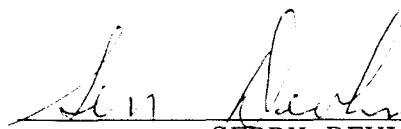
SEN. VAN VALKENBURG states that SEN. FOSTER was not here to vote on the last motion but he is one of the cosponsors of the bill.

Vote: MOTION CARRIES TO RECONSIDER ACTION ON HB 434 5-3 ON ROLL CALL VOTE.

CHAIRMAN DEVLIN states the committee will not go any further on HB 434 until SEN. FOSTER is present.

ADJOURNMENT

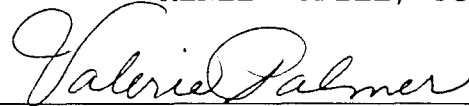
Adjournment: 9:10 a.m.



GERRY DEVLIN, Chairman



RENEE PODELL, Secretary



Transcribed By: Valerie Palmer

GD/RP/VP

MINUTES

MONTANA SENATE 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By CHAIRMAN GERRY DEVLIN, on April 10, 1997, at
8:00 A.M., in Room 415.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Mike Foster, Vice Chairman (R)
Sen. Mack Cole (R)
Sen. Bob DePratu (R)
Sen. Dorothy Eck (D)
Sen. Wm. E. "Bill" Glaser (R)
Sen. Mike Sprague (R)
Sen. Barry "Spook" Stang (D)
Sen. Fred R. Van Valkenburg (D)

Members Excused: None

Members Absent: None

Staff Present: Jeff Martin, Legislative Services Division
Renée Podell, Committee Secretary

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 471
Executive Action: HB 599, HB 555, HB 601, HB 591
HB 536, HB 434, HB 471

HEARING ON HB 471

Sponsor: REP. KIM GILLAN, HD 11, Billings

Proponents: Dennis Burr, Montana Taxpayers Assoc.
David Owen, Montana Chamber of Commerce
Riley Johnson, National Federation of Business
John Shontz, Montana Assn. of Realtors
Jerry Driscoll, Small Business Owner
Gloria Paladichuk, Richland Economic Development
of Richland County

Opponents: None

Opening Statement by Sponsor:

REP. KIM GILLAN, HD 11, Billings, introduced HB 471. This is a proposal to help businesses, particularly small businesses. It does this by exempting the first \$10,000 of market value of class A property. When they introduced the bill, they were exempting the first \$25,000 of market value Class A property, but over the course of discussions in the House, they reduced it to \$10,000. Small businesses have a need to be competitive. House Bill 471 will help businesses by freeing up some dollars which can be reinvested back into business. She presented a letter from two small business owners in Billings, **EXHIBIT 1**. House Bill 471 keeps Montana's business environment competitive with the surrounding states and also helps businesses eliminate some of the paperwork. Sixty-eight percent of all businesses have less than \$10,000 worth of market value.

She offered an amendment - **EXHIBIT 2**. When HB 471 was going through the House, they put on a contingency voidness clause. However, they have come up with a way to ensure that if the ending balance as of June 30th exceeds \$25 million, it would be possible to fund HB 471.

Proponents' Testimony:

Dennis Burr, Montana Taxpayers Assoc., stated that four years ago the State of Arizona exempted \$50,000 worth of business equipment for each business in that state. It cost about one percent of the tax base and exempted 87 percent of the businesses. This bill started at \$25,000. His counterpart in Arizona said the 87 percent would be the same if they used \$25,000 instead of \$50,000. In Arizona their procedure was a little different. They took the \$50,000 worth of equipment and classified it at one percent with the understanding that the county assessors would just ignore it. Once it was in place, they put a Constitutional amendment on the ballot and it passed overwhelmingly. He would take the contingency voidness off and let local governments do as they may to replace that revenue.

David Owen, Montana Chamber of Commerce, remarked that small businesses buy equipment, so this will offset itself.

Riley Johnson, National Federation of Business, stated that this is an unfair tax because every county has a different means of enforcement. This would be a boom for small businesses. They support this bill. It would be one less form to fill out.

John Shontz, Montana Assn. of Realtors, presented a handout for the committee, **EXHIBIT 3**. He also encouraged adoption of **REP. GILLAN's** amendment. The contingency voidness language that was put in this bill serves the function of making sure that government is funded before taxpayers receive refunds. The amendment in the bill now says the money must come from HB 2 to fund this program. **REP. GILLAN's** amendment allows that if there

is any excess ending fund balance, those dollars could be used to fund this legislation. This helps all businesses that own Class A property including agriculture, medium sized and large businesses.

Jerry Driscoll, Small Business Owner, commented that the fiscal note assumptions are that there will be \$10,000 per payer per assessment code. That is not the intent of the bill that it will be per assessment code. There are five codes. In order to get \$23.8 million in taxable values, you need to have almost \$400 million in market value of property. They must have used 40,000 taxpayers x \$10,000 each. A lot of people do not have \$10,000, thus the fiscal note is overstated. He suggested adoption of **REP. GILLAN's** amendment.

Gloria Paladichuk, Richland Economic Development of Richland County, remarked that it is their experience that business tax exemptions work. In the early 80's when Shell Oil built their plant in Richland County, they were given a reduction in property taxation for five years. This bill will help businesses and we urge your support.

Opponents' Testimony: None

Questions From Committee Members and Responses:

SEN. BILL GLASER, referring to the computer system redesign on the fiscal note at a \$4 million cost, asked if the bill was changed from \$25,000 to \$10,000 would there be additional costs for computer redesign?

Judy Paynter, Department of Revenue, explained the revised fiscal note - **EXHIBIT 4**. This bill is to be effective January 1, 1998. It will take some money to fix their existing system so they can identify the \$10,000 exemption per business. The Department needs about \$100,000 to make computer changes to their existing system. There are a couple of counties which will need to be converted. The administrative costs are estimated at \$183,000 the first year, \$6200 thereafter. Additional handout - **EXHIBIT 5**.

SEN. DEVLIN commented that the two counties which are not user friendly would need to be converted whether this bill passed or not.

Ms. Paynter explained the Department would have to pay for the work and make sure the work is done.

SEN. DOROTHY ECK stated the fiscal note stated \$4 million.

Ms. Paynter conveyed that they have cut down the cost of the new system. This originally started out in HB 188. That has been decreased in HB 188 and that system will not be operational by January 1, 1998. There are problems if you are not operating

correctly by that date. House Bill 417 will have a problem when they do the reimbursement from the General Fund if they are unable to properly identify the change related to this bill. The General Fund will be reimbursing all local governments for the decrease in taxes they would get out of this bill.

SEN. ECK stated she had been working on a bill, but dropped it when she saw this bill. The problems were the same. The Department didn't seem willing to get this exemption per taxpayer.

Ms. Paynter stated the money is in the fiscal note to correct the system so this can be done per taxpayer. The amount of revenue loss is not calculated per taxpayer because the system does not allow them to do that.

SEN. ECK felt that if 68% of the taxpayers would no longer pay this tax, there should be significant savings to county government as well as the state.

Ms. Paynter asserted there is not a savings determination yet. The question is, if they have less than \$10,000 of property, do they need to report?

SEN. ECK suggested that perhaps something could be written into the bill for the taxpayer to simply declare that he/she did not need to pay in.

Ms. Paynter state that would make it clearer.

SEN. BOB DE PRATU asked **REP. GILLAN** if she would like the exemption back at \$25,000.

REP. GILLAN maintained it would be great to have it at \$25,000 but would rather see the bill pass.

Closing by Sponsor:

REP. GILLAN stated that the fiscal note had some problems. A company which is expanding needs any free capital available. In reference to the companies which do not have \$10,000 worth of property, she would welcome an amendment as long as it did not make the process any more cumbersome.

EXECUTIVE ACTION ON HB 599

Motion: **SEN. MIKE SPRAGUE** MOVED HB 599 BE CONCURRED IN.

Discussion:

SEN. SPRAGUE contended that as a first time buyer, it would encourage young people to understand that they need to preplan savings. It sends a good message. He had asked for an amendment for manufactured housing.

Amendments: hb059902.ajm - EXHIBIT 6

SEN. SPRAGUE explained that there is a difference between "trailer" and "manufactured home".

Motion: SEN. SPRAGUE MOVED TO AMEND HB 599.

SEN. FRED VAN VALKENBURG expressed concern about providing an opportunity for people to buy trailers. Setting aside money for a manufactured home is not a bad idea.

SEN. SPRAGUE stated a trailer may be a launching pad to a bigger and better thing. At least they are building equity.

CHAIRMAN DEVLIN remarked he did not have trouble with the term mobile home, but he did with the term trailer.

SEN. ECK commented that while homes are appreciating in value, trailers are usually depreciating.

Vote: THE MOTION CARRIED WITH CHAIRMAN DEVLIN voting no.

Amendments: hb059903.ajm - EXHIBIT 7

Motion: SEN. ECK MOVED TO FURTHER AMEND HB 599.

Mr. Martin explained the amendment. This amendment would clarify that married taxpayers who file separately may each be an account holder for the purposes of this bill. This creates an awkward savings mechanism where each spouse needs to establish their own account but if they were to purchase a home, they could use each account collectively for paying eligible costs. Amendments 2 through 4 take into account this change. A taxpayer who files singly, head of household, or married filing separately can deduct up to \$3,000. An account holder who files jointly may deduct up to \$ 6,000. You can deposit more than \$3,000 in the account in a year, but cannot take the deduction for it until the next year.

Vote: THE MOTION CARRIED UNANIMOUSLY.

Motion: SEN. SPRAGUE MOVED HB 599 BE CONCURRED IN AS AMENDED.

Discussion:

SEN. GLASER expressed concern about a person establishing themselves as an account holder and then investing the money in his/her business. If the business failed and the money is gone from the account, the taxes would need to be paid.

SEN. VAN VALKENBURG remarked the only way he could support this bill is with an amendment stating that if the ending fund balance exceeds some amount then this goes into effect.

CHAIRMAN DEVLIN stated the problem with that would be establishing a level and then being consistent.

SEN. ECK insisted this was a good bill but its likely not to make its way through. They could have a delayed effective date so it wouldn't hit until the next biennium so it could be planned into the budget.

SEN. SPRAGUE commented that he saw this as a way to encourage young people to stay in Montana.

SEN. VAN VALKENBURG was concerned the bill may not set out that the home which is purchased with this money needs to be within the State of Montana.

Motion: **SEN. VAN VALKENBURG MOVED TO FURTHER AMEND HB 599.**

SEN. VAN VALKENBURG clarified that on page 2, line 19, following residence he would insert the word "Montana" and also on page 3, line 27, following "residence" insert the words "within Montana". Page 3, line 29, following "residence" he would insert the term "Montana".

Vote: **THE MOTION CARRIED UNANIMOUSLY.**

Motion: **SEN. VAN VALKENBURG MOVED TO FURTHER AMEND HB 599.**

SEN. VAN VALKENBURG explained his amendment. On page 9 he would change the effective date to 2000. This could then be incorporated into the next budget.

SEN. SPRAGUE commented the young people do not have a dog in the fight, this is the legislature's problem, not theirs.

Vote: **THE MOTION FAILED ON ROLL CALL VOTE - 5 to 3.**

Vote: **THE MOTION THAT HB 599 BE CONCURRED IN AS AMENDED CARRIED UNANIMOUSLY.**

EXECUTIVE ACTION ON HB 555

Motion: **SEN. SPRAGUE MOVED HB 555 BE CONCURRED IN.**

Discussion:

SEN. COLE commented this would be a flat \$.30 per gallon.

SEN. STANG remarked that in two or three years the reconstruction trust fund will be out of money and we will need to raise gas taxes to account for this.

SEN. GLASER stated they are subsidizing an industry which should be able to make it on its own.

SEN. DE PRATU alleged that without this bill the plant will not be able to get needed funding. He does not want to ruin their chances of success.

Vote: THE MOTION CARRIED ON ROLL CALL VOTE - 6 to 3.

EXECUTIVE ACTION ON HB 601

Motion: SEN. ECK MOVED HB 601 BE CONCURRED IN.

Discussion:

CHAIRMAN DEVLIN asserted this wouldn't have a bang in the first year, but certainly would in the second year.

SEN. GLASER remarked that this bill would give a 5% incentive on their investment right out of the General Fund.

SEN. DE PRATU commented that when an older building is rehabilitated there would be the positive effect of more tax revenue down the road.

SEN. COLE contended that it may end up saving some of our historical buildings.

Vote: THE MOTION CARRIED ON ROLL CALL VOTE - 5 to 4.

EXECUTIVE ACTION ON HB 591

Motion: SEN. VAN VALKENBURG MOVED HB 591 BE CONCURRED IN.

Discussion:

SEN. DE PRATU stated that we keep penalizing people who are a little bit successful. The idea of the elderly homeowner tax credit is good, but he doesn't like the cut-off on the income.

SEN. FOSTER commented that the revised fiscal note showed this to be revenue neutral. It looks like they are trying to target people who are on the lower income end of this. This goes to \$35,000. He would like to have it go to \$40,000. There are some elderly people who qualify, but due to the complexity of applying, haven't been doing so.

SEN. ECK remarked that this was originally designed as a low income elderly tax relief. A friend of hers who has substantial income was surprised to find that she was eligible for the circuit breaker tax. An income level was not put in. This will level it out with people who have pensions and those who get their income from tax deferred municipals, rents, etc.

SEN. GLASER commented that this takes away from the people who are getting a tax credit and gives a little more to the people on the bottom end.

Vote: THE MOTION CARRIED ON ROLL CALL VOTE - 7 to 2.

EXECUTIVE ACTION ON HB 536

Motion: SEN. VAN VALKENBURG MOVED HB 536 BE CONCURRED IN.

Discussion:

SEN. VAN VALKENBURG related that the fiscal note is small. This is something for the middle-aged parents who are spending a lot in tuition. It is a way to legally provide support to people who are sending their children to private institutions.

Vote: THE MOTION CARRIED UNANIMOUSLY.

EXECUTIVE ACTION ON HB 434

Motion/Vote: SEN. ECK MOVED HB 434 BE CONCURRED IN. THE MOTION CARRIED ON ROLL CALL VOTE - 7 to 1.

EXECUTIVE ACTION ON HB 471

Motion: SEN. DE PRATU MOVED HB 471 BE CONCURRED IN.

Discussion:

SEN. FOSTER reluctantly opposed the bill. This is a different approach which is worth exploring. He is not ready for it at this time.

SEN. STANG remarked this is one of the best property tax relief ideas for small business since he has been in the legislation. The reduction from 12% to 9% and 9% to 6% didn't do a lot for small businesses.

Amendments: hb047102.agp - EXHIBIT 2

Motion: SEN. STANG MOVED HB 471 BE AMENDED.

SEN. STANG explained this amendment would make it contingent on a General Fund balance of over \$25 million at the end of year.

SEN. GLASER commented that the \$25 million amount is too low.

Substitute Motion: SEN. GLASER MOVED TO AMEND HB 471 WHICH WOULD CHANGE \$25 MILLION TO \$35 MILLION.

SEN. VAN VALKENBURG claimed that the amendment dealt with the ending fund balance at the end of this fiscal year, two months from now. This does not deal with the ending fund balance at the end of the next biennium. This number is a fixed amount. This is the beginning fund balance for the next biennium.

SEN. FOSTER asked what the ending fund balance would be as of June 30, 1997?

SEN. STANG remarked it was around \$29.6 million.

SEN. FOSTER supported SEN. GLASER's motion. Placing this at \$35 million would provide some protection.

Vote: THE MOTION CARRIED ON ROLL CALL VOTE - 6 to 3.

SEN. STANG WITHDREW HIS MOTION.

Motion: SEN. ECK MOVED TO FURTHER AMEND HB 471.

SEN. ECK explained her amendment would direct the Department to allow a taxpayer to issue an affidavit saying that they had less than \$10,000.

SEN. SPRAGUE understood this amendment to provide that the taxpayer would not have to fill any forms related to personal property on an annual basis.

SEN. ECK explained that she receives five envelopes from the local assessor. She only pays a little on this, so it can't be worth it to them.

SEN. SPRAGUE clarified that this would require the recipient to prepare a declaration statement.

SEN. DE PRATU questioned whether that would be by business or by taxpayer?

SEN. ECK answered it would be by taxpayer.

SEN. DEVLIN felt they would need to identify the pieces of equipment.

SEN. ECK commented that this bill is written so it is not by piece of equipment, but instead by taxpayer.

SEN. DE PRATU questioned whether there would be a penalty involved for false reporting and also whether this would be an annual declaration?

SEN. ECK maintained that we used to have statements of intent, but we don't do those anymore.

Mr. Martin explained that the basic purpose of a statement of intent is to direct a particular agency to adopt rules by a certain method. There could be a preamble which is the same as a common understanding as to how a statement of intent has been used in the past.

SEN. ECK voiced concern in the fiscal statement. You wonder about what the Department is thinking of doing. If you are going to simplify the process by dropping off those who have amounts smaller than \$10,000, you want the Department to simplify its processes.

SEN. DEVLIN did not want to micro-manage how the Department would handle a piece of legislation which ends up in their laps.

Mr. Martin stated that if this amendment were to pass, he would borrow language from 15-6-151. This would state that the affidavit remains in effect in subsequent years unless there is a change in the applicant's eligibility. The taxpayer would have to inform the Department of any change. The Department would be able to inquire of the taxpayer whether there was any change. It would also include a provision that the statement is treated as a statement under oath violation of which would make the taxpayer liable for criminal penalties under 45-7-202.

Vote: THE MOTION FAILED ON ROLL CALL VOTE - 4 to 5.

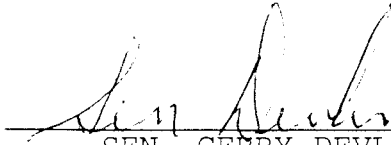
SEN. GLASER stated the bill was now a good bill. He felt that **REP. GILLAN** should reject their amendments and put it into a Conference Committee so it would be in the mix and something could then be decided on how it should be handled.

CHAIRMAN DEVLIN commented that if it wasn't for personal property tax going down to six, he could support this bill. The terrific fiscal note from the Department of Revenue concerns him in that this could be making a big mess out of a little mess.

Vote: THE MOTION CARRIED ON ROLL CALL VOTE - 6 to 3.

ADJOURNMENT

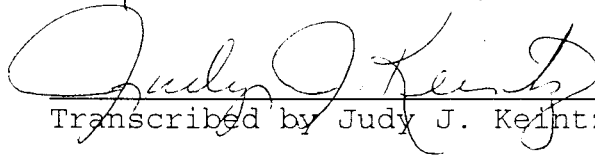
Adjournment: The meeting adjourned at 10:55.



SEN. GERRY DEVLIN, Chairman



RENEE PODELL, Secretary



Transcribed by Judy J. Keintz

GD/RP